

Message Text

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64

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9088
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION GENEVA

UNCLAS LONDON 03862

PASS AGRICULTURE FOR HUME AND STROBEL GENEVA FOR GATT:

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: UK BUDGET PROVIDES FOR LARGE EXPENDITURE ON
FOOD SUBSIDIES

1. IN THE UK BUDGET ANNOUNCED ON MARCH 26 THE NEW LABOUR
GOVERNMENT ANNOUNCED FOOD SUBSIDIES COSTING 400 MILLION
POUNDS, WITH PROVISION FOR AN ADDITIONAL 100 MILLION
POUNDS FOR OTHER CONTINGENCIES INCLUDING SUBSIDIES ON
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OTHER FOODS NOT YET SPECIFIED, IN 1974-75.

2. IN ADDITION TO THE BREAD SUBSIDY ALREADY ANNOUNCED (SEE LONDON 3562, MARCH 21, 1974), THERE IS TO BE A ONE PENNY PER PINT CUT IN THE RETAIL PRICE OF FLUID MILK. MILK IS ALREADY BEING SUBSIDISED TO KEEP THE PRICE STEADY AT 1971 LEVELS. THE ADDITIONAL SUBSIDY NOW ANNOUNCED IS ESTIMATED TO COST 133 MILLION POUNDS.

3. OTHER PROVISION FOR SUBSIDIES IS EXPECTED TO COVER MARGARINE IN ORDER TO PRESERVE THE PRICE DIFFERENTIAL BETWEEN IT AND BUTTER, THE SUBSIDY ON WHICH IS TO BE INCREASED BY 33 MILLION POUNDS UNDER THE MARCH 23 BRUSSELS COMMUNITY AGREEMENTS. ALSO TIPPED FOR A SUBSIDY IS SUGAR WHICH IS DUE TO RISE IN PRICE UNDER TREATY OF ACCESSION OBLIGATION ON JULY 1; 25 MILLION POUNDS IS THE ESTIMATED COST OF THIS.

4. THE EXPECTED IMPACT OF THE EXTENSION OF THE FOOD SUBSIDIES WILL BE TO REDUCE THE RISE IN THE FOOD PRICE INDEX BY 6 PERCENT OVER THE NEXT YEAR WITH THE REDUCTION IN THE TOTAL RETAIL PRICE INSGB TO BE 1 1/2 PERCENT.

5. THE NATIONAL FARMERS' UNION WAS QUICK TO ATTACK THE CUT IN THE MILK PRICE WHICH IT CLAIMED MAKES THE RELATIONSHIP BETWEEN THE RETAIL PRICE AND THE TRUE COST OF PRODUCTION EVEN MORE UNREAL. THE BOARD FEELS THAT ANY INCREASE IN DEMAND FOR FLUID MILK TRIGGERED BY THE PRICE CUT WILL LEAD TO A SERIOUS SHORTAGE OF MANUFACTURING MILK AND A SETBACK TO THE UK'S HOPES OF RAISING SELF-SUFFICIENCY IN BUTTER AND CHEESE.

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